Korea’s SME Support Policy for cross-border electronic commerce

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SMEs' importance in Republic of Korea

- Export effects
  - Export SMEs outperforms domestic SMEs
  - 17.2 times bigger in sales volume, 1.8 times in profits, and 5.1 times in employment statistics

- SME’s export performance statistics
  - Around 110 Billion US dollars for SME export
  - Neither growing or decreasing, stagnated (need momentum)
  - Focused on China, US, Vietnam and Japan (need market diversification)
  - More than 84% whose export less than 1 Million USD

- New trade barriers and new demands
  - Increase in non-tariff barriers, new-protectionism, deglobalization, ESG regulations
  - New demands for high technology and services, international investments, and international markets

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Domestic e-commerce (DEC) vs cross-border e-commerce (CBEC)

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<tr>
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<th>DEC</th>
<th>CBEC</th>
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<tr>
<td><strong>Definition</strong></td>
<td>Online transactions where both the seller and buyer are located within the same country.</td>
<td>Online transactions involving sellers and buyers from different countries.</td>
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<td><strong>Trading items</strong></td>
<td>Goods, services, contents (+coins, tokens)</td>
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<td><strong>Length of value chain</strong></td>
<td>Relatively short value chain with domestic stakeholders</td>
<td>Relatively long-length with domestic as well as international stakeholders</td>
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<td><strong>Characteristics</strong></td>
<td>- Shorter delivery times.</td>
<td>- Longer delivery times.</td>
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<td>- Lower shipping costs.</td>
<td>- Higher shipping costs.</td>
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<td>- Governed by domestic laws and regulations, which can simplify processing.</td>
<td>- Need to consider customs, import taxes, and various national laws and regulations, which can complicate processing.</td>
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Policy objectives and strategies for SMEs

Towards Global Expansion, Ministry Connectivity, and Performance Orientation of Export Policy
- Sustainable growth of export and new policy needs

Strategy 1: Export beyond domestic orientation
- Feasibility of exports, potential brands selection, and technology service export support

Strategy 2: Overseas presence beyond exports
- Overseas K-global projects, and collaborative overseas program

Strategy 3: Future beyond exports
- Overseas K-global projects and collaborative overseas program

Strategy 4: One-team Korea
- Network building among overseas support agencies
• **Policy Development and Coordination**
  - **Ministry of Trade, Industry, and Energy**: Primarily responsible for major policies in the e-commerce sector, focusing on strategy development and enhancement of international trade cooperation.
  - **Ministry of SMEs and Startups**: Creates and implements e-commerce support policies specifically aimed at small and medium enterprises (SMEs) and startups, focusing on facilitating their entry into online markets and enhancing their competitiveness.

• **Infrastructure and Platform Development**
  - **Korea Internet & Security Agency (KISA)**: Works to strengthen internet and information security infrastructure and supports the security of key e-commerce platforms.
  - **Korea Electronic Commerce Promotion Institute**: Responsible for business support and the development of educational programs for e-commerce companies.

• **Regulatory Improvement and Legal Support**
  - **Korea Fair Trade Commission**: Supervises e-commerce related regulations and strengthens consumer protection measures. It also monitors and regulates unfair trade practices.
  - **Korea Communications Commission**: Manages communication regulations related to the operation of online platforms where e-commerce transactions occur.

• **Financial and Tax Support**
  - **Korea Trade Insurance Corporation**: Provides insurance and financial guarantees for international e-commerce imports and exports.
  - **National Tax Service**: Manages tax benefits and tax exemption measures related to e-commerce.

• **Education and Promotion**
  - **Korea Trade Association**: Offers educational programs and seminars related to e-commerce to enhance the export capabilities of businesses.
  - **Korea Federation of Small and Medium Business**: Supports SMEs in e-commerce education and the development of marketing strategies.
Support features in ROK’s e-commerce policy

Government-Led Support

- The South Korean government views the e-commerce industry as a new engine for growth, improving laws and regulations and implementing various support programs to spur industry expansion.

Integrated Platform Development

- South Korea develops and operates national-level e-commerce platforms, supporting small and medium-sized enterprises (SMEs) in effortlessly entering international markets.
- For example, platforms such as Gobiz Korea and Kmall24 offer an easy route for selling Korean products to overseas consumers.

Continuous International Cooperation

- The government actively lowers barriers and improves market access through multiple international trade agreements and multilateral cooperation.

Global Marketing and Branding Support

- The government focuses on enhancing the recognition of Korean products in global markets by linking with Korean Wave contents like K-pop and K-beauty.
- It facilitates SMEs’ entry into international markets by supporting overseas marketing and branding programs.
<table>
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<th>Specific programs</th>
<th>Support contents</th>
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| **On-line export support** | -Retailing in global shopping malls (Shopee, Qoo10 JP, Amazon)  
-Individual marketing (training and consulting) within shopping mall  
-Marketing campaign for special events and promotions  
-Product page, marketing, delivery, customer support in power sellers accounts |
| ① global shopping mall export support | Direct selling  
Indirect selling |
| ② Media contents marketing | -Product contents making (short clip), live-commerce, seasonal events, promotion marketing, education and support for contents use |
| ③ Direct-to-consumer mall support | Legacy and foundations  
General incubations  
Win-win partnership |
| ④ Cooperative logistics support | Cost discount  
Logistics fulfillment |
| ⑤ Cooperative logistics fulfillment-related marketing | -Support for new D2C mall development, renewal, language support, promotion and marketing, IT service including overall operation and management cost  
-Support for existing D2C malls for overall operation and management costs  
-Support for other brand entry in the platform, and comarketing for global shopping mall growth  
* Including promotion and marketing program support for entry SMEs or brands  
-Transportation cost support by affiliated logistics corporations and items declaration for export customs  
-Fulfillment cost support for affiliated corporations, individual logistics and global shopping malls  
-Fulfillment cost support for SMEs in global shopping mall and K-beauty and K-fashions specialty malls and sales support for cooperative marketings  
• Personalized by shopping malls and by seasons (specialty stores, planned promotions, banner support, discount coupons, free delivery, and etc.) |
2024 goals of direct and indirect export

Number of Participating Companies by Region in Global E-Shopping Malls:
- North America (e.g., Amazon): Approximately 100 companies
- Japan (e.g., Amazon JP, Qoo10): Approximately 400 companies
- ASEAN (e.g., Shopee): Approximately 300 companies
- Europe (e.g., Amazon DE/UK): Approximately 100 companies
- Total: Around 900 companies

Number of Participating Companies by Target Market in Global Shopping Malls:
- North America (e.g., Amazon, eBay): Approximately 100 companies
- China (Mainland) (e.g., Taobao, Tmall): Approximately 100 companies
- Japan (e.g., Amazon JP, Rakuten): Approximately 100 companies
- Middle East (e.g., Amazon AE, NOON): Approximately 50 companies
- India (e.g., Amazon IN, Flipkart): Approximately 50 companies
- Chile (e.g., Mercado Libre): Approximately 30 companies
- Indonesia (e.g., Tokopedia): Approximately 30 companies
- Total: Around 460 companies
Support policy for CBEC – cases by Ministry of Industry, Trade, and Energy (MOTIE)

- U Trade Hub 2.0
  - Trade portal
  - Supports for SME’s cross-border B2B transaction by MOTIE
  - Long time history of platform development since 1994
  - Now services operated by KTNET
- Major services by U trade Hub 2.0
  - E-commerce export and import registration service
  - Export payment settlement and clearance by cooperating with international payment gateway
  - Certification services for purchase approval, duty drawbacks, and export performance
Challenges and Opportunities

### Challenges

- Product return problems
- Fraud detection and unfair trading
- Platform vs SMEs
- National infrastructure for internet, logistics, payment, and human resources
- Cyber security & privacy

### Opportunities

- Still growing market
- Cross-border e-commerce plus artificial intelligence
- Good tool for international development for SMEs
- Sharing of proven technology and solutions for prosperity
THANK YOU